

Message Text

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PAGE 01 ISLAMA 07427 020959Z

46

ACTION OPIC-12

INFO OCT-01 NEA-14 ISO-00 AID-20 EB-11 COME-00 TRSE-00

ABF-01 OMB-01 AGR-20 XMB-07 L-03 FS-01 IGA-02 SS-20

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FM AMEMBASSY ISLAMABAD

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E.O. 11652: N/A

TAGS: EFIN, PK

SUBJECT: POSSIBLE OPIC COOLEY LOAN FOR CARL KRUEGER

REF: STATE A-5009, JUNE 11, 1973

BEGIN UNCLASSIFIED

BEGIN SUMMARY. MR. CARL KRUEGER HAS INDICATED DESIRE TO BORROW FIFTY MILLION RUPEES FOR USE IN MAKING MOTION PICTURE ON LIFE OF CLIVE OF INDIA. END SUMMARY.

1. CARL KRUEGER PRESIDENT OF CITADEL FILMS & CASSETTES, INC. BEVERLY HILLS, CALIF., HAS BEEN IN PAKISTAN PAST WEEK NEGOTIATING WITH SHAHID HOSAIN, HEAD OF NATIONAL FILM DEVELOPMENT CORPORATION. APPARENTLY GOP DECIDED TO COOPERATE WITH KRUEGER BY PROVIDING WITHOUT COST FACILITIES OF PAKISTAN ARMY, ETC. FOR FILMING IN RETURN FOR AGREEMENT THAT GOP WILL RECEIVE TWENTY-FIVE PERCENT OF FILM PROFITS. AGREEMENT IS SAID TO BE CONTINGENT ON US GOVERNMENT LOAN TO KRUEGER OF FIFTY MILLION RUPEES.

2. SHAHID HOSAIN HAS TOLD AID DIRECTOR THAT GOP IS
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PAGE 02 ISLAMA 07427 020959Z

INSISTENT THAT USG BE RESPONSIBLE FOR OBTAINING REPAYMENT

OF RUPEES SINCE GOVERNMENT NOT IN POSITION TO PRESS FOR REPAYMENT IN US. HE SAYS DEAL HAS BEEN APPROVED BY GOVERNMENT INCLUDING PRIME MINISTER. SECRETARY EAD TOLD AID DIRECTOR PROJECT HAD BEEN APPROVED AND IT WAS HIS UNDERSTANDING RUPEES NEEDED FOR REPAYMENT OF PROPOSED COOLEY LOAN WOULD BE OBTAINED BY DOLLAR PURCHASES FROM CENTRALBANK. AID DIRECTOR WARNED THAT THIS WOULD NOT NECESSARILY BE THE CASE. IN THE EVENT OPIC APPROVED LOAN KRUEGER WOULD LEGALLY HAVE OPTION OF PURCHASING USG-OWNED PL-480 RUPEES FOR USE AS REPAYMENT.

3. KRUEGER HAS TOLD US HE ENCOURAGED TO BELIEVE USG-OWNED RUPEES WOULD BE MADE AVAILABLE FOR PROJECT IN MEETING WITH FORMER UNDER SECRETARY OF STATE CASEY.

4. AID DIRECTOR TOLD KRUEGER HE WAS VERY DOUBTFUL PROJECT WOULD BE ATTRACTIVE TO OPIC AND THAT CONTRARY TO WHAT HE MAY HAVE COME TO BELIEVE FROM HIS CONVERSATIONS IN WASHINGTON WE KNEW OF NO NON-OPIC SOURCE OF RUPEE FUNDS. WE HAVE SUGGESTED TO KRUEGER THAT HE PURSUE THE RUPEE LOAN QUESTION IN WASHINGTON IN THE FIRST INSTANCE WITH OPIC. END UNCLASSIFIED.

5. BEGIN LIMITED OFFICIAL USE.

COMMENT. WE HAVE NOT YET SEEN THE AGREEMENT KRUEGER IS SIGNING WITH GOP AND HAVE NOT SEEN ANY WRITTEN PROPOSAL KRUEGER MAY HAVE PREPARED. THERE ARE ADVANTAGES TO KRUEGER IN LOCATING FILMING IN PAKISTAN IN VIEW OF LOWER COSTS AND PROFFERED COOPERATION OF GOP. HOWEVER, SINCE THERE WILL BE NO SIGNIFICANT RUPEE EARNINGS FROM PROJECT OUR FIRST REACTION IS THAT PROJECT FINANCING WOULD MORE APPROPRIATELY BE OBTAINED FROM DOLLAR SOURCES. FROM GOP'S POINT OF VIEW SOURCE OF FINANCING WOULD BE IMMATERIAL IF RUPEES FOR REPAYMENT OF A COOLEY LOAN WERE BOUGHT WITH DOLLARS AT CENTRAL BANK. IF RUPEES FOR REPAYMENT WERE BOUGHT FROM US TREASURY THEN BALANCE OF PAYMENTS ADVANTAGE FROM THIS FILM DEAL TO GOP WOULD BE LIMITED TO WHAT MIGHT BE EARNED WORLDWIDE FROM GOP'S 25 PERCENT SHARE OF PROFITS.

6. OPIC MAY ALSO WISH TO CHECK KRUEGER'S CREDIT-WORTHINESS. WHEN KRUEGER LEFT PAKISTAN IN 1973 HE DID NOT PAY HIS BILLS
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PAGE 03 ISLAMA 07427 020959Z

AMOUNTING TO SEVERAL THOUSAND DOLLARS AT THE INTERCONTINENTAL HOTEL, RAWALPINDI. THE HOTEL REQUESTED MISSION ASSISTANCE IN COLLECTING THE BILLS BUT, DESPITE SEVERAL MISSION LETTERS TO KRUEGER URGING THAT HE DO SO KRUEGER DID NOT MAKE ANY PAYMENT UNTIL HIS RETURN TO PAKISTAN SEVERAL WEEKS AGO WHEN HE WAS THREATENED WITH ARREST IF HE DID NOT PAY UP. THIS HISTORY, PLUS THE CHECKERED INFORMATION ABOUT KRUEGER REPORTED BY REF AIRGRAM, SUGGESTS THAT SOME CREDIT CHECKING WOULD BE IN ORDER

BEFORE USG FUNDS ARE COMMITTED.

7. SUGGEST STATE ALSO REVIEW WITH CASEY SUBSTANCE OF
CONVERSATIONS KRUEGER APPARENTLY HAD WITH HIM.

8. WOULD APPRECIATE OPIC AND STATE KEEPING US INFORMED
STATUS OF DISCUSSION WITH KRUEGER. END LIMITED OFFICIAL USE.
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